

ADDENDUM TWO: STRATEGIC PLAN BUDGET AND TIMETABLE

Urgent Need to Fund and Staff Strategic Plan Reforms During Fiscal Years 1998 and 1999

The principal overall objective of Phase I of the Strategic Plan is and will be to address and resolve the root causes of the longstanding trust management problems as quickly as possible. The Special Trustee has concluded as to the trust management systems problems:

These conditions are unacceptable by any reasonable standards and continue to do significant harm and damage to American Indian trust beneficiaries. They are caused by inherent defects in the core trust management systems the government uses to manage the Indian lands and monies. These defective systems prevent the government from meeting the fiduciary, accounting and reporting standards required by the American Indian Trust Management Reform Act of 1994 and standards of ordinary prudence applicable to all trustees, public or private.

Mismanagement and neglect have allowed the trust management systems, record keeping systems and risk management systems to deteriorate over a twenty to thirty year period and become obsolete and ineffective. For many of those years, including many years since 1990, the trust programs were seriously under staffed and under funded. The result was that the government increasingly was unable to keep pace with the rapid changes and improvements in technology, trust systems and prudential best practices taking place in the private sector trust industry. This gap continues today and will continue to increase until the reforms outlined in the Strategic Plan are funded and implemented. That is why they should be funded and implemented, immediately, regardless of if and when the Comprehensive Strategic Plan called for in the Reform Act of 1994 is approved. Each day the trust management systems remain status quo, the Federal Government's exposure to claims of mismanagement and liability will continue to grow and is another day the Federal Government cannot meet its trust responsibilities to the American Indians.

The primary cause of the trust management problems both historically and currently can be attributed to the trade-offs of financial and managerial resources which take place at every level of government between trust management activities (trust resource management, trust funds management and land title and records management) and other activities and programs of the Bureau of Indian Affairs, the Department of the Interior, the Administration and the Congress. History has consistently shown these politically expedient government trade-offs of competing financial and managerial resources to be adverse and detrimental to the effective and proper administration and funding of the trust management activities.

These trade-offs have been made and are continuing to be made even in the face of a long history of court cases which have consistently held the trust relationship between the

United States and the American Indians to be a distinctive one. Decisions of the Supreme Court reviewing the legality of administrative conduct in managing Indian property have held officials of the United States to "moral obligations of the highest responsibility and trust" and "the most exacting fiduciary standards," and be "bound by every moral and equitable consideration to discharge its trust with good faith and fairness."

A trustee is not and should not be relieved of his duties, responsibilities and accountability to trust beneficiaries because the trustee lacks the financial and managerial resources to administer the trusts. To be so relieved for this reason is not acceptable for a private trustee. Yet, the most frequently cited reason and excuse for the Federal Government's historical and continued failure to address and resolve the longstanding trust management problems is the lack of funding and staffing for the American Indian trust management programs. While most certainly the lack of financial and managerial resources is the primary causal factor for the Federal Government's failure in this regard, under no circumstances should it also serve as an acceptable excuse for the continued neglect of the Federal Government's trust responsibilities to American Indian trust beneficiaries. Yet, this is exactly the case for the executive and legislative branches of the Federal Government. Lack of financial and managerial resources has become the standard and institutionally acceptable excuse for the Federal Government's continued failure to address and resolve the trust management problems. Because it is by now a well established standard and acceptable excuse, no one and no government management unit has been or is likely to be held accountable for this neglect at any level of the Federal Government. This is a policy of political and self-serving convenience and not one worthy of a Federal trustee who has charged itself with moral obligations of the highest responsibility and trust or one to be judged by the most exacting fiduciary standards. In addition, this policy of political and self-serving convenience not only facilitates and perpetuates the neglect of the American Indian trust management programs but continuously adds to it. This is because it is convenient, easy and politically desirable to make even more choices and trade-offs detrimental to the American Indian trust management activities in favor of other government programs which are politically more popular. All with the knowledge that the most the Federal Government or individuals making the choices and trade-offs will suffer from such behavior is some criticism from American Indians and their supporters. No real accountability will be exacted in the near or medium terms and if it is, it may be by the judicial branch of the Federal Government over the long term.

The lack of funding for trust management improvement initiatives is nowhere better illustrated than in the following table one which shows the history since inception in September 1996 of funding requests by the Office of the Special Trustee for such initiatives versus the amounts contained in the President's budgets for fiscal years 1996 through 1998.

As table one shows, reform requests have been consistently under-funded. For fiscal 1997, OST requested \$47.7 million for trust management systems improvements, but only \$14.6 million was approved; for fiscal 1998, OST requested \$48.7 million, but only \$17.7 million was approved.

Moreover, given the Administration's long term budget estimates, there is no reason to believe that the funding levels approved for fiscal years 1997 and 1998 will be significantly increased on an annual basis. Funding the reforms with installments of \$15 million to \$20 million per year simply will not work. This is because the Strategic Plan Budget (See enclosed full Strategic Plan Budget) estimates about \$61 million will be needed in the first two years to purchase the trust asset and accounting management system, the land title and records management system and the information infrastructure technology. In the first two years of implementation, another \$49 million will be needed for data conversion, reconciliation and backlog clean-up of probates, land title and records, IIM and Tribal records and appraisals. In the same period \$52 million will be needed for imaging, training, policies and procedures and legal manuals, risk management, archives and records management and external professional services. In short, all these expenditures must be made over a year or two and the systems purchased must be kept current through annual maintenance and upgrades lest they become obsolete and ineffective.

What is proposed in Phase I of the Strategic Plan involves low risk and proven technology and operating and accounting systems which have long been readily available in the private sector and can be implemented very quickly once funding and staffing is made available. The core asset and accounting management systems, records and archiving systems and reporting and delivery systems in Phase I of the Strategic Plan must be installed over two years if they are to remain current and effective on an on-going basis. The systems will use latest available technology which changes rapidly. Alternatively, If the core systems are funded in installments of \$15 to \$20 million a year over 6 years or longer, they will already be obsolete when the implementation is finally completed and ineffective as well, necessitating another costly reform effort. Therefore, a two year implementation period is critical. In the private sector, the usual and customary period for implementation of such systems has been less than a year. However, an extra year has been built into the plan to allow for the processes of government. Consistent with the Strategic Plan objectives and the proposed two year timetable for implementation is the Strategic Plan Budget necessary to implement the Strategic Plan reforms. The complete Strategic Plan Budget is included below.

Finally, the Special Trustee notes that the American Indian Trust Fund Management Reform Act of 1994 (Public Law 103-412) requires the Special Trustee to certify in writing as to the adequacy of the Department of the Interior's consolidated trust management budgets to discharge, effectively and efficiently, the Secretary's trust responsibilities and to implement the Comprehensive Strategic Plan. A credible consolidated budget for trust management activities has not been prepared by the Department of the Interior. Therefore, the Strategic Plan Budget is prepared on the basis of what will be required to implement the Strategic Plan for all trust management activities. If a credible consolidated budget is not produced or if the budget for the implementation of the Strategic Plan reforms is reduced materially or delayed or if adequate staffing or funding is not provided, the Special Trustee or a successor organization will not be in a position to certify the consolidated trust management budgets when they are prepared for fiscal 1998.

Table One
President's Budget Shortfalls in Implementing Reforms
FY 1996, FY 1997 & FY 1998

	OST REQUEST FY 1996	PRES. BUDGET FY 1996	SHORT- FALL FY 1996	OST REQUEST FY 1997	PRES. BUDGET FY 1997	SHORT- FALL FY 1997	OST REQUEST FY 1998	PRES. BUDGET FY 1998
Strategic Plan Core Systems				45,682	13,561	32,121	30,317	14
Record Keeping Systems				-	-	-	11,200	
Land Records Systems	-		-	-	-		7,220	3
Requirements Analysis	1,000	0	1,000	1,000	11000		-	-
Outside Contractors	500	0	500	1,000	0	1,000	-	-
Sub-Total Rerorm Costs	11500	0	1,500	47,682	14,561	33,121	48,737	17
OST Immediate Office	1,600	450	1,150	1,600	1,229	372	1,221	1
Advisory Board	400	0	400	400	161	239	200	
Sub-Total	3,500	450	3,050	49,682	15,950	33,732	50,158	19
IIM Pool Shortage	-	-	-	-	-	-	42,200	
General Ledger Losses	-			-	-	-	28,300	
Sub-Total	3,500	450	3,050	49,682	15,950	33,732	120,658	19
*OTFM, Records Mgt & ITMA Budget							20,217	20
Total							140,875	39

** Transferred to OST 2/9/96*

Strategic Plan Budget Summary

		Implementation 1997-1999	Ongoing Per Annum
1	Standard Trust Asset and Accounting Management System,	34,662.8	18,122.7
	Land Title and Records Management System and General		
	Ledger System		
2	Information Technology Infrastructure for AITDA, BIA, MMS,	26,467.4	10,490.9
	BLM, Tribes and other End-Users		
	Sub-Total Systems Costs	61,130.2	28,613.6
3	Data Conversion, Reconciliation & Backlog Clean-up for probates	48,945.0	5,200.0
	IIM/Lease[Files, LRIS & LTRO Records, Imaging and Appraisals		
4	Implementation for Imaging, training, policies & procedures, risk.	52,104.3	18,223.4
	management, archives and records management and external		
	professional services		
5	Management: OST or AITDA	5,548.0	1,861.0
	TOTAL	167,727.5	55,898.0

Strategic Plan Budget (\$ Thousands)

	Implementation Costs			Ongoing Costs	
	FY 97/98	FY 99	FY 97-99	FY 00	FY 01
1. Standard Trust	15,933.3	18,729.5	34,662.8	19,665.5	18,122.7

Asset and Accounting Management System and Land Title and Records Management System					
A. Trust Asset and Accounting Management System	8,237.3	9,870.5	18,107.8	12,970.5	12,970.5
B. Land Title & Records Management System	3,196.0	8,059.0	11,255.0	6,095.0	4,552.2
C. General Ledger System	2,000.0	300.0	2,300.0	300.0	300.0
D. Interf2ce Development	2,500.0	500.0	3,000.0	300.0	300.0
2. Information Technology Infrastructure	13,214.6	13,252.8	26,467.4	11,847.9	10,490.9
A. AITDA, BIA, MMS, BLM	10,457.9	11,928.4	22,386.3	9,928.8	9,354.5
B. Tribes, Including End-user Training	2,756.7	1,324.4	4,081.1	2,019.1	1,136.4
SUB-TOTAL SYSTEMS COSTS	29,147.9	31,982.3	61,130.2	31,513.4	28,613.6
3. Data Conversion, Reconciliation & Backlog Clean-up	27,535.0	21,410.0	48,945.0	8,625.0	7,200.0
1. Probate Related Backlog Cle2n-ups:					
Agency	600.0	540.0	1,140.0		
Hearings & Appeals/Admin. Law	1,400.0	1,030.0	2,430.0		
LTRO	4,000.0	4,000.0	8,000.0	1,425.0	
2. File Clean-up, Data/Document Check	4,400.0	3,000.0	7,400.0		
3. IIM/Lesse/ Subsystem Conversion/Reconcile.	1,375.0	840.0	2,215.0		
4. LRIS	2,600.0	2,000.0	4,600.0	2,000.0	2,000.0

Conversion/Ownership Reconciliation/Defective Title Clean-up					
5. Imaging Clean-up	3,160.0		3,160.0		
6. Appraisal Clesn-up	10,000.0	10,000.0	20,000.0	5,200.0	5,200.0
4. Implementation	31,572.9	20,531.4	52,104.3	19,417.2	18,223.4
A. Imaging	2,730.2	1,608.5	4,338.7	1,608.4	1,608.4
B. Training AITDA, BIA, MMS, BLM	6,416.7	3,609.4	10,026.1	2,495.3	2,301.5
C. Policy, Procedures, Legal Manuals	4,000.0	250.0	4,250.0	250.0	250.0
D. Risk Management	4,520.0	4,520.0	9,040.0	4,520.0	4,520.0
E. Archives and Records Management	10,406.0	8,043.5	18,449.5	8,043.5	8,043.5
F. External Professional Services	3,500.0	2,500.0	6,000.0	2,500.0	1,500.0
5. Management: OST or AITDA	3,687.0	1,861.0	5,548.0	1,861.0	1,861.0
TOTALS	91,942.8	75,794.7	167,727.5	61,446.6	55,898.0
Less: \$13.350 million appropriated for FV97 improvement Initiatives.			-13,350.0		
<i>COST TO IMPLEMENT STRATEGIC PLAN</i>			154,377.5		

Strategic Plan Major Data Conversion, Reconciliation & Backlog Problems to be Addressed:

	Amount	Transactions
Tribal Reconciliation Project Disclosures		
Transactions without source documentation	\$2.4	32,319

	billion	
Amount with incomplete disbursement voucher packages	\$4.1 billion	
Amount without source documentation for unreconciled disbursements	\$575 million	
Universe of leases and transactions		Unknown
Probate Related Backlogs		
Backlog of cases at Agencies		3,500
Backlog of cases at Administrative Law Judges		3,453
Number of TSRS, Recordation, Imaging & Mapping Documents for research at LTROs		212,381
Land Title and Records Offices		
Number of Defective Titles to research		4,300
Number of Defective Titles - Muskogee Area		4,942
Number of Pre-1966 Statutes of Limitations Cases to research		25,000
Leases to be imaged		60,000
Appraisals to be made		36,000
IIM Files Information		
Number of files to be researched and given document check/reconciliation prior to conversion		749,000
"Whereabouts Unknown" files with no address or incorrect address	\$27.7 million	45,624
Former minors accounts with positive balances or "Whereabouts Unknown"	\$21.7 million	27,519
	\$42.2 million	
Overdraft Interest Clearing Accounts mis-posted		
	\$28 million	
General Ledger losses not cleared		
Number with no tax identification or social security number		128,393
Duplicate Accounts		16,828

Special Deposit Accounts with no activity last eighteen months	\$2.3 million	6,119
Number of accounts with \$0 balance and no activity last thirteen months and not closed		14,476
Number of accounts with balance \$0 to \$1 with no activity for thirteen months		14,906
Number of accounts with no activity for eighteen months and not coded for deletion		28,114

Strategic Plan Data, Reconciliation & Backlog Clean-up Summary

		Clean-up Backlog Problem	FY1997-2001 (\$ thousands)
1. Probate Related Backlog Clean-up			
Agency	3,500	Probates	1,140
Administrative Law Judges	3,453	Probates	2,430
LTRO	212,381	TSRS, Recordation, Imaging & Mapping Documents	9,425
2. File Clean-up, D2t2/Document Check	749,000	IIM Files Document Verification	7,400
3. IIM Lease Subsystem Conversion		File Conversion/Testing/Reconciliation	2,215
4. LRIS Conversion/Ownership Reconciliation & Defective File Clean-up & Reconciliation*	4,300	Defective Titles. Must be researched and cleared	9,600
5. Imaging	60,000	Image 60% of high dollar leases	3,160

		in two years:	
		Image remaining leases in FY2000 and FY2001:	1,000
6. Appraisals	20,000	Appraisals of 20% of high dollar assets Yrs. 1&2:	16,000
	81000	5% Appraisal Sampling of other assets: Yrs. 1&2:	4,000
	4,000	Appraisals of renewing high dollar assets - Yrs. 4&5:	6,400
	4,000	5% Appraisal Sampling of other assets - Yrs. 4&5	4,000
TOTAL			65,770
TOTAL FOR FY 1997 THROUGH FY 1999			48,945

* Does not include \$13.3 million to research and clean-up 4,942 defective titles for Muskogee Area and \$38.5 million to research and clean-up about 25,000 pre-1966 Statutes of Limitations cases allowed under the Indian Claims Act of 1982. These costs should be included in DOI's operating budgets.